

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name City of Jackson Act 196 Transportation Auth.	County Jackson
Audit Date 9/30/05	Opinion Date 11/1/05	Date Accountant Report Submitted to State: 1/27/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.			
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
		ZIP 48823	
Accountant Signature <i>Abraham & Gaffney, P.C.</i> <i>David M. Jones</i>			Date 1/27/06

**City of Jackson Act 196
Transportation Authority
Jackson, Michigan**

FINANCIAL STATEMENTS

September 30, 2005

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

TABLE OF CONTENTS

September 30, 2005

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-vii
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	1
Statement of Revenues, Expenses, and Changes in Fund Net Assets	2
Statement of Cash Flows	3
Notes to Financial Statements	4-11
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Operating Revenues	12
Schedule of Operating Expenses	13
Schedule of Nonoperating Revenues - Local	14
Schedule of Nonoperating Revenues - State and Federal	15
Schedule of Operating Expenses by Activity	16-20
Net Eligible Cost Computations of General Operations	21
Schedule of Ineligible Expenses	22
Schedule of Mileage Data (Unaudited)	23
Schedule of Expenditures of State Awards	24-25
SINGLE AUDIT SECTION	
Schedule of Expenditures of Federal Awards	26-27
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	28
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	29-30
SCHEDULE OF FINDINGS	31
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	32

Principals

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
City of Jackson Act 196 Transportation Authority
Jackson, Michigan

We have audited the accompanying financial statements of the City of Jackson Act 196 Transportation Authority as of and for the years ended September 30, 2005 and 2004, as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Jackson Act 196 Transportation Authority as of September 30, 2005 and 2004, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2005, on our consideration of the City of Jackson Act 196 Transportation Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, as identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Jackson Act 196 Transportation Authority's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, and Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Jackson Act 196 Transportation Authority. Such information, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 1, 2005

As management of the Jackson Transportation Authority ["the Authority"], we offer readers of the Jackson Transportation Authority's financial statements this narrative overview and analysis of the financial activities of the Jackson Transportation Authority for the fiscal year ended September 30, 2005.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$4,138,792.
- The Authority's total net assets decreased by \$515,198, as the result of current year activity. Of this figure, \$908,615 in the decrease is attributable to depreciation. Significant capital contributions resulted in large additions to net assets.
- It should be noted that net assets indicate a reduction of \$515,198. Of that total, there was a reduction of cash of \$317,134 from the previous year.
- Capital contributions from the federal and state governments amounted to \$676,983 in 2005, partially offsetting depreciation. Capital contributions included the completion of a construction project started in 2004 and computer upgrades.
- Total expenses exceeded total revenues resulting in a loss of \$4,897,043, prior to adding nonoperating revenue (state and federal grants, and local millage receipts). After adding nonoperating revenue to operating revenue, net assets decreased by \$515,198.

Overview of the Financial Statements

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise four components: statements of net assets; statements of revenues, expenses, and changes in net assets; statements of cash flows; and notes to the financial statements.

The statement of net assets presents information on all of the Authority's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The statement of net assets is shown on page 1 of this report.

The statement of revenues, expenses, and changes in net assets presents information on revenues, expenses, capital contributions, and how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Thus, revenues, expenses, and capital contributions are reported in the statements of some items that will only result in cash flows in future fiscal periods. The increase or decrease in net assets may serve as an indicator of the effect of the Authority's current year operations on its financial position. The statement of revenues, expenses, and changes in fund net assets is shown on page 2 of this report.

The statement of cash flows summarizes all of the Authority's cash flows into four categories: cash flows from operating activities; cash flows from noncapital financing activities; cash flows from capital and related financing activities; and cash flows from investing activities. The statement of cash flows is shown on page 3 of this report.

The statement of cash flows, along with related notes and information in other financial statements, can be used to assess the following: the Authority's ability to generate positive future cash flows and pay its debts if and when they occur and/or mature; the reasons for differences between the Authority's operating cash flows and operating income [loss]; the effect of cash and noncash investing, capital, and financing activities on the Authority's financial position.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the statement of net assets; statement of revenues, expenses, and changes in net assets; and statement of cash flows. The notes to the financial statements are shown on pages 4 to 11 of this report.

The financial statements provide information on all functions of the Authority as business type activities. The activities of the Authority are supported by a property tax levy, fare collections from passengers, and federal and state financial assistance.

Financial Analysis

Statement of Net Assets - Total assets of the Authority exceeded total liabilities by \$4,138,792 as of September 30, 2005. The largest portion of this excess, (\$3,385,122) of total net assets of \$4,138,792, was invested in capital assets. The Authority used these capital assets to provide public transit services to customers and member jurisdictions; consequently, these assets are not available for future spending. Even though the Authority has no current debt, it should be noted that the Authority's investment in capital assets resources could not be used to liquidate any future liabilities. Such debt, should it occur, would need to be repaid using other sources of revenue such as property tax.

CONDENSED STATEMENT OF NET ASSETS

	<u>2004</u>	<u>2005</u>
Current Assets	\$ 1,405,827	\$ 1,090,949
Capital Assets [net]	<u>3,616,881</u>	<u>3,385,122</u>
Total Assets	5,022,708	4,476,071
Current Liabilities	368,718	337,279
Noncurrent Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	368,718	337,279
Net Assets		
--Invested in Capital Assets	3,616,881	3,385,122
--Unrestricted	<u>1,037,109</u>	<u>753,670</u>
Total Net Assets	<u>\$ 4,653,990</u>	<u>\$ 4,138,792</u>

Unrestricted net assets [\$753,670] are available to meet the Authority's ongoing obligations. Unrestricted net assets in 2004 were \$1,037,109 or a reduction of \$283,439.

Statement of Revenues, Expenses, and Changes in Net Assets - During fiscal year 2005, the Authority's activities resulted in a decrease in net assets of \$515,198. The decrease in net assets is partially attributable to depreciation. However, of that decrease, \$317,134 was a decrease in cash assets. This decrease of cash assets is significant. The 2004 fiscal year resulted in a decrease in cash of \$332,882. While this use of cash reserves in both 2004 and 2005 was anticipated, continued heavy reliance on reserves cannot continue. The Authority has taken steps to avoid use of cash reserves for the 2006 budget year. This was accomplished through expense reduction (staff and service reductions) and the use of additional federal 5307 funding for operating purposes. The Authority has also proposed no wage increase for the 2006 fiscal year. A balanced budget is projected for the 2006 fiscal year.

Jackson Transportation Authority**Management's Discussion and Analysis
Year Ended September 30, 2005****CONDENSED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS**

	<u>2004</u>	<u>2005</u>
Operating Revenues	\$ 1,214,111	\$ 1,192,636
Nonoperating Revenues	<u>4,814,848</u>	<u>4,381,845</u>
Total Revenues	6,028,959	5,574,481
Depreciation Expense	951,769	908,615
Other Operating Expenses	<u>5,132,607</u>	<u>5,181,064</u>
Total Expenses	6,084,376	6,089,679
Beginning Net Assets	4,709,407	4,653,990
Ending Net Assets	<u>4,653,990</u>	<u>4,138,792</u>
Change in Net Assets	<u>\$ (55,417)</u>	<u>\$ (515,198)</u>

The decrease in operating revenues of \$21,475 (or 1.8%) is partially reflective of the reduction of demand response service levels and a corresponding loss of farebox revenue. Also contributing to the decrease were reductions in fee for service contracts with several agencies. Property tax revenues increased by \$26,140. Investment income decreased by \$2,090 due to lower available cash balances during the year. State of Michigan Act 51 operating assistance decreased by \$170,369 (or 8%). This significant decrease is due to the fact that the State's expense based reimbursement formula was reduced by nearly 3.8% (42.24% in 2004 to 38.44% in 2005) and because the Authority took action to reduce operating expense. The decrease in nonoperating revenues was more significant. Due to the use of an expense based formula, State revenues for the Authority decreased by even more than the State imposed 3.8% decline. Federal FTA urban operating assistance increased by \$191,304 as the result of the decision made by the Authority to use additional Federal formula funds for operating purposes in lieu of using them to support capital purchases. This trend is likely to continue due to the need for operating revenue. In the past a sizable portion of Federal urban formula funds have been used for capital purposes. However, as revenue sources become scarce, there is a greater need to use the funds for operating expenses. This trend has the down side of not having funds available for future capital needs.

The following table shows revenues and expenses by source for the fiscal years ended September 30, 2004 and 2005.

	<u>2004</u>	<u>2005</u>
Operating Revenues	\$ 1,214,111	\$ 1,192,636
Nonoperating Revenues		
• Property Taxes	550,785	576,925
• State Funds	2,383,759	2,150,827
• Federal Funds	1,770,801	1,565,465
• Local Funds	101,035	82,250
Interest Earnings	<u>8,468</u>	<u>6,378</u>
Total Revenues	6,028,959	5,574,481
Operations Expenses	4,028,786	4,075,476
Maintenance Expenses	1,192,566	1,147,719
General Administrative Expenses	<u>863,024</u>	<u>866,484</u>
Total Expenses	<u>\$ 6,084,376</u>	<u>\$ 6,089,679</u>

Capital Assets and Debt Administration

Capital Assets - The Authority's investment in capital assets as of September 30, 2005, was \$3,385,122 compared to \$3,616,881 in 2004. Investment in capital assets includes: land, buildings and improvements; revenue and nonrevenue vehicles; equipment; furniture, fixtures, and leasehold improvements. The net decrease in capital assets during the current year was \$231,759 (or 6%). The reduction is primarily due to the less capital improvements in the 2005 year that would have offset depreciation. In the 2004 year there was a greater investment in capital improvements related to the construction of a fueling/maintenance facility.

The following table summarizes capital assets net of depreciation as of September 30, 2005.

Land [not depreciated]	\$ 180,119
Buildings and improvements	1,965,533
Revenue vehicles/Service vehicles	832,590
Furniture and fixtures	12,030
Equipment	<u>394,850</u>
Net Capital Assets	<u>\$ 3,385,122</u>

Additional information on the Authority's capital assets is shown in Note D on page 8.

Outstanding Debt - At the end of the 2005 fiscal year, the Authority had no outstanding debt. This was unchanged from the 2004 fiscal year.

Other Significant Items

Once again this year the Authority has had to rely upon cash reserves to meet operating expenses that exceed revenues. For that reason it is important to focus on "Net Assets". Unfortunately, net assets within this report indicate a reduction of \$515,198. While this is accurate from an overall perspective, the actual unrestricted reduction to net assets can be more accurately measured by comparing unrestricted net assets from 2004 to 2005. Unrestricted net assets in 2004 were \$1,037,109. Unrestricted net assets at the end of 2005 were \$753,670 or a reduction of \$283,439.

Similar reductions have occurred for the last several fiscal years as expenses increased and revenues decreased. A number of cost saving measures have been implemented during previous years and again in 2005 in an attempt to reduce reliance upon cash reserves. The Authority has proposed no labor wage increases for the 2006 fiscal year. Additionally, employees have been required to contribute more for health insurance. Through attrition, and as a result of reduced contractual obligations, the employee workforce has been reduced. However, even with significant efforts to reduce expense, the impact of huge fuel price increases and benefit costs defeated cost saving measures in other areas. The greater than normal 3.8% reduction of State revenue (38.44% down from 42.24% in 2004) also contributed to an additional use of cash reserves in 2005. Fortunately, the Authority benefited from the new Federal Transportation Bill recently approved. The Authority is projected to receive a significant increase in 5307 funding. If appropriated at the anticipated level, a majority of this additional funding will be used for operating purposes. This has allowed for a projected 2006 budget that is balanced without additional service and/or staff reductions.

The JTA continues working with local partners to evaluate transportation needs in Jackson and the surrounding area. There is a growing consensus that the millage district needs to be expanded if service levels are to be maintained or expanded.

The continuing difficult economic conditions affecting the State of Michigan are likely to have additional impacts on the Authority. However, if the projections of the new Federal Transportation Bill are accurate, the JTA could have access to additional funding designated for new initiatives (i.e., Job Access/Reverse Commute) as well as additional funding for rural transportation (5311 funding).

Authority management continues to monitor these and other factors so recommendations can be made to the JTA Board of directors for action. With the limited cash reserves now available for service provision, and without additional revenue, a posture of cost savings and maintaining a balanced budget will be the focus. This will allow for continued services for the community at the current level for the 2006 year.

Requests for Information

This financial report is designed to provide our member jurisdictions, customers, investors, and creditors with a general overview of the Authority's finances. If you have questions concerning any of the information provided in this report, or if you need additional financial information, contact the Chief Financial Officer or General Manager at the following address:

Jackson Transportation Authority
2350 East High Street
Jackson, MI 49203
Phone: 517-787-8363

Cameron McCollum
General Manager
Ext. 3790

Dawn Mroczka
Finance Director
Ext. 3781

BASIC FINANCIAL STATEMENTS

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS

September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current assets		
Cash	\$ 470,868	\$ 788,002
Accounts receivable	86,156	140,492
Grants receivable	209,455	183,742
Inventories	291,993	260,869
Prepays	<u>32,477</u>	<u>32,722</u>
Total current assets	1,090,949	1,405,827
Noncurrent assets		
Capital assets not being depreciated	180,119	180,119
Capital assets, net of accumulated depreciation	<u>3,205,003</u>	<u>3,436,762</u>
Total noncurrent assets	<u>3,385,122</u>	<u>3,616,881</u>
TOTAL ASSETS	4,476,071	5,022,708
LIABILITIES		
Current liabilities		
Accounts payable	8,802	36,639
Accrued liabilities	132,938	134,840
Sick and vacation payable	<u>195,539</u>	<u>197,239</u>
TOTAL LIABILITIES	<u>337,279</u>	<u>368,718</u>
NET ASSETS		
Invested in capital assets	3,385,122	3,616,881
Unrestricted	<u>753,670</u>	<u>1,037,109</u>
TOTAL NET ASSETS	<u><u>\$ 4,138,792</u></u>	<u><u>\$ 4,653,990</u></u>

See accompanying notes to financial statements.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Years Ended September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES		
Sales and charges for services	\$ 1,192,636	\$ 1,214,111
OPERATING EXPENSES		
Administrative	866,484	863,024
Operations	4,075,476	4,028,786
Maintenance	<u>1,147,719</u>	<u>1,192,566</u>
TOTAL OPERATING EXPENSES	<u>6,089,679</u>	<u>6,084,376</u>
OPERATING (LOSS)	(4,897,043)	(4,870,265)
NONOPERATING REVENUES		
Taxes	576,925	550,785
Intergovernmental		
Federal sources	1,565,465	1,770,801
State sources	2,150,827	2,383,759
Local sources	82,250	101,035
Interest earnings	<u>6,378</u>	<u>8,468</u>
TOTAL NONOPERATING REVENUES	<u>4,381,845</u>	<u>4,814,848</u>
(DECREASE) IN NET ASSETS	(515,198)	(55,417)
Net assets, beginning of year	<u>4,653,990</u>	<u>4,709,407</u>
Net assets, end of year	<u><u>\$ 4,138,792</u></u>	<u><u>\$ 4,653,990</u></u>

See accompanying notes to financial statements.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS

Years Ended September 30, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 1,246,972	\$ 1,171,542
Cash paid to employees and vendors	(3,874,032)	(3,907,176)
Cash paid for employee benefits	(1,369,350)	(1,370,931)
NET CASH (USED) BY OPERATING ACTIVITIES	(3,996,410)	(4,106,565)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Taxes	576,925	550,785
Intergovernmental sources	3,095,846	3,215,497
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	3,672,771	3,766,282
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital purchases	(676,856)	(1,215,190)
Capital grants	676,983	1,214,123
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	127	(1,067)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest revenue	6,378	8,468
NET (DECREASE) IN CASH DURING YEAR	(317,134)	(332,882)
Cash, beginning of year	788,002	1,120,884
Cash, end of year	<u>\$ 470,868</u>	<u>\$ 788,002</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH (USED) BY OPERATING ACTIVITIES:		
Operating (loss)	\$ (4,897,043)	\$ (4,870,265)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities		
Depreciation	908,615	951,769
Loss on disposal of capital asset	-	58
(Increase) decrease in accounts receivable	54,336	(42,569)
(Increase) in inventories	(31,124)	(13,136)
Decrease in prepaids	245	426
(Decrease) in accounts payable	(27,837)	(158,883)
Increase (decrease) in sick and vacation payable	(1,700)	10,947
Increase (decrease) in accrued liabilities	(1,902)	15,088
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (3,996,410)</u>	<u>\$ (4,106,565)</u>

See accompanying notes to financial statements.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Jackson Act 196 Transportation Authority (JTA) was established under the applicable laws of the State of Michigan Public Act 196, as amended, to operate a transportation system within the County of Jackson on November 3, 1986. Public Act 196 known as the "public transportation authority act" authorizes the formation of public transportation authorities with certain powers and duties as separate and distinct political subdivisions within the State of Michigan.

The JTA receives Federal and State financial assistance in the form of operating and capital grant funding to support its operation, expand marketing and specialized services, and replace buses and other equipment. The JTA provides linehaul and demand response services within the City of Jackson and Jackson County. The JTA provides services on a contractual basis to several nonprofit and governmental agencies within the County as well as other services not provided through private providers.

The accounting policies of the City of Jackson Act 196 Transportation Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. In accordance with Governmental Accounting Standards Board Statement 20, the Authority has elected not to apply the FASB Statements and interpretations issued after November 30, 1989, to its financial statements. The following is a summary of the significant policies:

1. Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the City of Jackson Act 196 Transportation Authority. The Authority has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 14, as amended by Statement No. 39, and has determined that no entities should be consolidated into its general purpose financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements.

2. Basis of Presentation

The accounts of the JTA are organized on the basis of a fund which is considered a separate accounting entity. The operation of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. JTA resources are allocated to and accounted for in the individual fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The fund in the financial statements in this report is described as follows:

PROPRIETARY FUND

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Assets. Fund equity (i.e., net total assets) is segregated into invested in capital (net of related debt) and unrestricted components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

4. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred.

5. Cash

The JTA pooled cash accounts consist of various checking and savings accounts. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing accounts.

6. Capital Assets and Long-Term Liabilities

Capital assets include all buildings, vehicles, equipment, furniture, and fixtures purchased with federal or state monies or assets with an acquisition cost exceeding \$1,000 if purchased with local monies. Depreciation is recorded on all depreciable capital assets on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives are:

Buildings	30 years
Vehicles	5-10 years
Furniture and fixtures	10 years
Equipment	5-10 years

Long-term liabilities are recognized in the basic financial statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term. JTA did not have any long-term liabilities at September 30, 2005.

7. Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

8. Accrued Vacation and Sick Leave

JTA employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time. This amount has been recorded as a current liability.

9. Cost Allocations

JTA allocates expenses between various program activities for grant reporting purposes. The allocations are prepared based on a cost allocation plan and methodology that has been approved by the grantor agency (i.e., vehicle miles per program activity).

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
- CONTINUED

10. Comparative Data

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the financial position and operations of the Authority.

NOTE B: CASH

The JTA is authorized to invest any of its funds in one (1) or more of the following:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which it maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental agency's are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Cash reported on the statement of net assets consists of the following:

Imprest cash	\$ 3,501
Checking and savings accounts	<u>467,367</u>
Total	<u>\$ 470,868</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE B: CASH - CONTINUED

Deposits

Deposits are maintained at one (1) financial institution and are carried at cost, as follows:

	<u>Carrying Amount</u>	<u>Imprest or Bank Balance</u>
Imprest cash	\$ 3,501	\$ 3,501
Insured (FDIC)	400,000	400,000
Uninsured	<u>67,367</u>	<u>138,158</u>
Total deposits	<u>\$ 470,868</u>	<u>\$ 541,659</u>

Interest rate risk

The Authority has not adopted a policy that indicates how the Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Concentration of credit risk

The Authority has not adopted a policy that indicates how the Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer.

Custodial credit risk

The Authority has not adopted a policy that indicates how the Authority will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments of collateral securities that are in possession of an outside party.

NOTE C: GRANTS RECEIVABLE

Grants receivable at September 30, 2005, by grant type and year are as follows:

State Operating Assistance - FY05	\$(36,557)
State Operating Assistance - FY04	54,997
State Operating Assistance - FY03	45,013
State Capital Match 02-0054/Z16	7,677
State Operating Assistance - FY00	24,116
Federal Section 5311 - FY03	40,502
Federal Section 5311 - FY04	8,965
Federal Section 5311 - FY05	50,921
Other:	
Transportation to Work	13,437
Western Union FY04	<u>384</u>
Total	<u>\$ 209,455</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE D: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005, was as follows:

	Balance <u>Oct. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Sept. 30, 2005</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 180,119	\$ -	\$ -	\$ 180,119
Capital assets being depreciated				
Buildings and improvements	3,866,233	448,448	(70,886)	4,243,795
Vehicles	4,483,658	-	-	4,483,658
Furniture and fixtures	102,677	-	-	102,677
Components parts	48,692	63,562	(48,692)	63,562
Equipment	<u>1,657,938</u>	<u>164,846</u>	<u>(102,105)</u>	<u>1,720,679</u>
Total capital assets being depreciated	10,159,198	676,856	(221,683)	10,614,371
Less accumulated depreciation for:				
Buildings and improvements	(2,159,730)	(189,418)	70,886	(2,278,262)
Vehicles	(3,213,934)	(437,134)	-	(3,651,068)
Furniture and fixtures	(87,284)	(3,363)	-	(90,647)
Components parts	(48,692)	(63,562)	48,692	(63,562)
Equipment	<u>(1,212,796)</u>	<u>(215,138)</u>	<u>102,105</u>	<u>(1,325,829)</u>
Total accumulated depreciation	<u>(6,722,436)</u>	<u>(908,615)</u>	<u>221,683</u>	<u>(7,409,368)</u>
Net capital assets being depreciated	<u>3,436,762</u>	<u>(231,759)</u>	<u>-0-</u>	<u>3,205,003</u>
Net capital assets	<u>\$ 3,616,881</u>	<u>\$(231,759)</u>	<u>\$ -0-</u>	<u>\$ 3,385,122</u>

A summary of capital assets by funding source at September 30, 2005, follows:

	<u>Purchased with Capital Grants</u>
Land	\$ 180,119
Buildings	4,182,012
Vehicles	4,483,658
Furniture and fixtures	92,712
Components parts	63,562
Equipment	<u>1,718,324</u>
Total	10,720,387
Less: accumulated depreciation	<u>(7,352,717)</u>
Net Property and Equipment	<u>\$ 3,367,670</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE D: CAPITAL ASSETS - CONTINUED

When Federal or State funded assets are withdrawn from public transportation service, the disposition of the assets is to be determined by the United States Department of Transportation (USDOT) and the Michigan Department of Transportation (MDOT). During the year the Jackson Transportation Authority disposed of assets that were federally and State funded with a historical cost of \$221,683. The total amount disposed of was fully depreciated. Depreciation expense in the amount of \$908,615 was reported for year ended September 30, 2005.

NOTE E: RETIREMENT PLAN

Plan Description

The JTA participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

Covered employees contribute 4% of their annual salary to the retirement system. The JTA is required to contribute the remaining amounts necessary to fund the system.

Annual Pension Cost

For year ended September 30, 2005, the JTA's annual pension cost of \$161,217 for the plan was equal to the JTA's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty (30) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Actuarial value of assets	\$ 1,280,826	\$ 1,693,913	\$ 2,080,232
Actuarial accrued liability (AAL) (entry age)	2,178,706	2,658,466	3,063,542
Unfunded (overfunded) AAL	897,880	964,553	983,310
Funded ratio	59 %	64 %	68 %
Covered payroll	2,492,531	2,555,505	2,480,328
UAAL as a percentage of covered payroll	36 %	38 %	40 %

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE E: RETIREMENT PLAN - CONTINUED

Three (3) year trend information - continued

	Year Ended September 30,		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Annual pension cost	\$ 190,863	\$ 167,044	\$ 161,217
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

NOTE F: COMPENSATED ABSENCES

Vacation leave is earned in varying amounts depending on the number of years of service of an employee. Vacation must be taken within a one (1) year period and is not subject to carryover, except if approved by the department head, and then cannot exceed 25% of the vacation leave available that year.

Sick leave is granted at a rate of six (6) days per year. Any unused sick pay up to sixteen (16) hours may be carried over to the next fiscal year. Unused sick time exceeding the sixteen (16) hours is payable to the employees in the first week of the next fiscal year.

Vacation leave is recorded as an expense when earned. Sick leave is not recorded until utilized or paid. Accumulated sick leave is immaterial.

The sick and vacation payable at September 30, 2005, was \$195,539 and is recorded as a current liability in the financial statements.

NOTE G: PROPERTY TAX REVENUES

The JTA property tax is levied in December on the State Equalized Valuation of property located in the City of Jackson as of the preceding December. Real and personal property in the City for the current levy was assessed and equalized at approximately \$714 million representing 50% of estimated current market value. In September 2003, the JTA's tax rate of 1.00 mill was renewed for five (5) years, covering the period from October 1, 2003 through September 30, 2008. For the year ended September 30, 2005, the JTA levied .9597 mills, due to the Headlee rollback.

NOTE H: RISK MANAGEMENT

The JTA is a member of the Michigan Transit Pool ("Pool") established pursuant to an Intergovernmental Agreement entered into by the member Transit Agencies and Authorities.

This Pool was established for the purpose of making a self-insurance pooling program available for Michigan Transit Agencies and Authorities, which includes, but is not limited to, bodily injury liability, property damage liability, and personal injury liability related to vehicle operation of the JTA. The JTA pays an annual premium to the Pool for this coverage. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums.

The JTA continues to carry commercial insurance for employee health, workers' compensation, and other insurance including general liability and commercial building insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2005

NOTE I: NET ASSETS RESERVE

The Board of Directors of the JTA has earmarked \$200,000 of net assets to provide a reserve for uninsured losses.

NOTE J: CONTINGENT LIABILITIES

Under the terms of various Federal and State grants, periodic compliance audits are required and certain costs may be questioned, allowed, or disallowed, which could result in funds being returned and/or received from grantor agencies.

NOTE K: FLEXIBLE BENEFITS PLAN

In January 1994, JTA implemented a flexible benefits cafeteria plan established under section 125 of the Internal Revenue Code. The plan is available to all employees who are eligible to have health coverage under JTA's health insurance plan and have a benefit election form on file. The plan permits employees to waive health insurance coverage from JTA and receive a cash benefit in lieu of such health insurance. The plan also permits employees receive dependent care expense reimbursement.

The plan is administered by Flex One.

NOTE L: DEFERRED COMPENSATION

The JTA offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to substantially all employees of JTA, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Plan is administered through Nationwide Retirement Solutions.

Legislative change has been made to 457 plans which mandate that no later than January 1, 1999, all existing 457 plan assets must be held in a custodial account, trust, annuity contract for benefit of participants and their beneficiaries.

Once a trust, custodial account, or annuity contract exists, assets are owned or held by the trust, custodian, or insurer for the exclusive benefit of participants and beneficiary, and are not subject to the claims of the public employees creditors nor can they be used by the public employee for any purpose other than the payment of benefits to these individuals participating in the plan or their designated beneficiaries. As of December 31, 1997, the JTA had implemented changes to be in compliance with the new requirement. As a result, the plan assets are not reported by the JTA because the new legislation has eliminated the requirements that Section 457 plan assets legally remain the assets of the sponsoring government.

OTHER SUPPLEMENTARY INFORMATION

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF OPERATING REVENUES

Year Ended September 30, 2005

	Linehaul	Demand Response	County Demand Response	Total
Operating revenues				
Passenger fares	\$ 239,348	\$ 119,997	\$ 39,197	\$ 398,542
Special transit fares				
Tickets ride and shop	2,158	-	-	2,158
Contract - DaVinci Institute	3,141	-	-	3,141
Contract - Region II Head Start	-	363,251	98,489	461,740
Contract - Foote Hospital	-	-	362	362
Hurricane Relief	-	-	500	500
PET Coordination from Agency	-	15,500	-	15,500
Medical shuttle	36,719	61,218	37,111	135,048
Total special fares	42,018	439,969	136,462	618,449
Auxiliary transportation revenue				
Advertising	15,380	-	-	15,380
Crosstown communications	6,000	-	-	6,000
Greyhound	8,226	13,715	8,314	30,255
Total auxiliary transportation revenue	29,606	13,715	8,314	51,635
Nontransportation revenue				
Contract maintenance	30,307	50,527	30,630	111,464
Western Union	1,563	2,605	1,579	5,747
American payment	460	769	465	1,694
Miscellaneous income	1,179	1,965	1,196	4,340
CDL road test	208	347	210	765
Total nontransportation revenue	33,717	56,213	34,080	124,010
TOTAL OPERATING REVENUES	<u>\$ 344,689</u>	<u>\$ 629,894</u>	<u>\$ 218,053</u>	<u>\$ 1,192,636</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF OPERATING EXPENSES

Year Ended September 30, 2005

	Operations	Maintenance	General Administrative	Total System
Labor				
Operator's salaries and wages	\$ 1,337,319	\$ -	\$ -	\$ 1,337,319
Dispatcher's salaries and wages	304,898	-	-	304,898
Other salaries and wages	154,553	560,487	282,231	997,271
Fringe benefits				
Pension	97,917	34,537	28,934	161,388
Other	824,721	268,950	110,689	1,204,360
Contractual services				
Advertising	-	-	18,600	18,600
Audit cost	-	-	11,100	11,100
Other services	-	29,770	118,722	148,492
Materials and supplies consumed				
Fuel and lubricants	302,415	-	-	302,415
Tires and lubes	16,013	-	-	16,013
Major supplies	199	99	1,103	1,401
Other materials and supplies	224,940	71,422	27,868	324,230
Utilities	-	-	93,465	93,465
Insurance	208,457	-	32,410	240,867
Taxes	1,097	364	-	1,461
Miscellaneous expenses				
Travel, meetings, and training	-	-	7,506	7,506
Dues and subscriptions	-	-	452	452
Other miscellaneous expenses	3,261	367	5,639	9,267
Lease and rentals	-	-	559	559
Depreciation	599,686	181,723	127,206	908,615
TOTAL OPERATING EXPENSES	\$ 4,075,476	\$ 1,147,719	\$ 866,484	\$ 6,089,679

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF NONOPERATING REVENUES - LOCAL

Year Ended September 30, 2005

	Linehaul	Demand Response	County Demand Response	Total
Local operating grant				
Property tax	\$ 201,536	\$ 335,992	\$ -	\$ 537,528
Single Business tax	14,771	24,626	-	39,397
Municipality participation				
Park Forest	2,000	-	-	2,000
Other				
Center for Family Health	1,500	-	-	1,500
County of Jackson	-	-	78,750	78,750
Interest income	1,734	2,891	1,753	6,378
 TOTAL NONOPERATING REVENUES - LOCAL	 <u>\$ 221,541</u>	 <u>\$ 363,509</u>	 <u>\$ 80,503</u>	 <u>\$ 665,553</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF NONOPERATING REVENUES - STATE AND FEDERAL

Year Ended September 30, 2005

	Linehaul	Demand Response	County Demand Response	Total
State of Michigan grants				
Formula operating assistance (Act 51)	\$ 521,752	\$ 868,947	\$ 527,507	\$ 1,918,206
Prior year adjustments	-	-	27,123	27,123
Capital match for Section 5307 grants	-	135,498	-	135,498
Transportation to Work	-	70,000	-	70,000
Total State of Michigan operating and capital grants	521,752	1,074,445	554,630	2,150,827
Federal grants				
U.S.D.O.T. operating grant - Section 5307	299,945	500,055	-	800,000
U.S.D.O.T capital grant - Section 5307	205,764	335,721	-	541,485
U.S.D.O.T. operating grant - Section 5311	-	-	169,678	169,678
R.T.A.P.	-	-	878	878
Workfirst transportation	-	32,001	21,423	53,424
Total Federal operating and capital grants	505,709	867,777	191,979	1,565,465
TOTAL NONOPERATING REVENUES - STATE AND FEDERAL	<u>\$ 1,027,461</u>	<u>\$ 1,942,222</u>	<u>\$ 746,609</u>	<u>\$ 3,716,292</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF OPERATING EXPENSES BY ACTIVITY

Year Ended September 30, 2005

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administrative</u>	<u>Total System</u>
Linehaul				
Operator's salaries and wages	\$ 357,051	\$ -	\$ -	\$ 357,051
Dispatcher's salaries and wages	81,303	-	-	81,303
Other salaries and wages	42,023	150,303	75,692	268,018
Payroll taxes	48,900	14,326	6,866	70,092
Vacation pay	39,744	10,257	6,481	56,482
Group health insurance	80,698	28,837	12,968	122,503
Group life insurance	8,326	2,805	1,085	12,216
Tool allowance	-	933	-	933
Uniform expense	5,198	3,946	-	9,144
Workers' compensation	29,472	8,518	778	38,768
Dental insurance	8,972	2,689	1,245	12,906
Pension	26,471	9,334	7,791	43,596
Flexible spending	-	-	330	330
Contract radio	-	3,619	-	3,619
Janitorial	-	4,361	-	4,361
Accounting	-	-	2,961	2,961
Contract services	-	-	4,335	4,335
Volunteer services	-	-	16,918	16,918
Answering service	-	-	2,768	2,768
Computer maintenance	-	-	7,327	7,327
Attorney fees	-	-	589	589
Diesel fuel	54,263	-	-	54,263
Gasoline	23,988	-	-	23,988
Tires	4,316	-	-	4,316
Major supplies	54	27	300	381
Bus parts	60,476	-	-	60,476
Building maintenance	-	6,257	-	6,257
Cleaning supplies	-	4,516	-	4,516
Shop tools	-	459	-	459
Shop supplies	-	4,274	-	4,274
Miscellaneous hardware	-	1,756	-	1,756
Outside labor	-	1,928	-	1,928
Lubricants and oils	3,119	-	-	3,119
Office supplies	-	-	2,190	2,190
Printing expense	-	-	4,478	4,478
Computer supplies	-	-	795	795
Power	-	-	17,675	17,675
Telephone	-	-	5,606	5,606
Water	-	-	1,721	1,721
Refuse	-	-	107	107
Liability insurance	56,356	-	-	56,356
Operating insurance	-	-	8,717	8,717
Travel and meetings	-	-	1,796	1,796
Marketing	-	-	4,962	4,962
Physicals/drug testing	786	100	-	886
CDL reimbursement	95	99	-	194

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF OPERATING EXPENSES BY ACTIVITY - CONTINUED

Year Ended September 30, 2005

	Operations	Maintenance	General Administrative	Total System
Linehaul - continued				
Dues - subscriptions	\$ -	\$ -	\$ 104	\$ 104
Driver training supplies	82	-	-	82
Miscellaneous	-	-	313	313
Mileage chargebacks	-	-	1,535	1,535
City license fees	203	-	-	203
Education and training	-	-	245	245
Bad debts	-	-	70	70
Office machine and equipment	-	-	133	133
Total linehaul	931,896	259,344	198,881	1,390,121
Demand response				
Operator's salaries and wages	595,259	-	-	595,259
Dispatcher's salaries and wages	135,545	-	-	135,545
Other salaries and wages	70,059	250,578	126,190	446,827
Payroll taxes	81,525	23,882	11,448	116,855
Vacation pay	66,259	17,100	10,805	94,164
Group health insurance	134,537	48,076	21,619	204,232
Group life insurance	13,879	4,677	1,810	20,366
Tool allowance	-	1,555	-	1,555
Uniform expense	8,667	6,577	-	15,244
Workers' compensation	49,135	14,200	1,297	64,632
Dental insurance	14,958	4,483	2,075	21,516
Pension	44,132	15,560	12,989	72,681
Flexible spending	-	-	551	551
Contract radio	-	6,033	-	6,033
Janitorial	-	7,271	-	7,271
Accounting	-	-	4,936	4,936
Contract services	-	-	7,227	7,227
Volunteer services	-	-	28,206	28,206
Answering service	-	-	4,615	4,615
Computer maintenance	-	-	12,216	12,216
Attorney fees	-	-	982	982
Diesel fuel	90,466	-	-	90,466
Gasoline	39,990	-	-	39,990
Tires	7,195	-	-	7,195
Major supplies	90	45	500	635
Van parts	100,823	-	-	100,823
Building maintenance	-	10,432	-	10,432
Cleaning supplies	-	7,529	-	7,529
Shop tools	-	766	-	766
Shop supplies	-	7,126	-	7,126
Miscellaneous hardware	-	2,928	-	2,928
Outside labor	-	3,215	-	3,215
Lubricants and oils	5,201	-	-	5,201
Office supplies	-	-	3,652	3,652
Printing expense	-	-	7,465	7,465

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF OPERATING EXPENSES BY ACTIVITY - CONTINUED

Year Ended September 30, 2005

	Operations	Maintenance	General Administrative	Total System
Demand response - continued				
Computer supplies	\$ -	\$ -	\$ 1,325	\$ 1,325
Power	-	-	29,467	29,467
Telephone	-	-	9,347	9,347
Water	-	-	2,869	2,869
Refuse	-	-	179	179
Liability insurance	93,954	-	-	93,954
Operating insurance	-	-	14,533	14,533
Travel and meetings	-	-	2,995	2,995
Marketing	-	-	8,279	8,279
Physicals/drug testing	1,310	166	-	1,476
CDL reimbursement	158	165	-	323
Dues - subscriptions	-	-	173	173
Driver training supplies	136	-	-	136
Miscellaneous	-	-	519	519
Mileage chargebacks	-	-	2,559	2,559
City license fees	339	-	-	339
Education and training	-	-	408	408
Bad debts	-	-	117	117
Office machine and equipment	-	-	222	222
Total demand response	1,553,617	432,364	331,575	2,317,556
County nonurban				
Operator's salaries and wages	360,859	-	-	360,859
Dispatcher's salaries and wages	82,170	-	-	82,170
Other salaries and wages	42,471	151,906	76,499	270,876
Payroll taxes	49,422	14,478	6,940	70,840
Vacation pay	40,168	10,366	6,550	57,084
Group health insurance	81,559	29,144	13,106	123,809
Group life insurance	8,414	2,835	1,097	12,346
Tool allowance	-	943	-	943
Uniform expense	5,254	3,987	-	9,241
Workers' compensation	29,786	8,608	786	39,180
Dental insurance	9,068	2,718	1,258	13,044
Pension	26,754	9,433	7,874	44,061
Flexible spending	-	-	334	334
Contract radio	-	3,658	-	3,658
Janitorial	-	4,408	-	4,408
Accounting	-	-	2,993	2,993
Contract services	-	-	4,381	4,381
Volunteer services	-	-	17,099	17,099
Answering service	-	-	2,798	2,798
Computer maintenance	-	-	7,406	7,406
Attorney fees	-	-	595	595
Diesel fuel	54,842	-	-	54,842
Gasoline	24,243	-	-	24,243

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF OPERATING EXPENSES BY ACTIVITY - CONTINUED

Year Ended September 30, 2005

	Operations	Maintenance	General Administrative	Total System
County nonurban - continued				
Tires	\$ 4,362	\$ -	\$ -	\$ 4,362
Major supplies	55	27	303	385
Bus parts	61,121	-	-	61,121
Building maintenance	-	6,324	-	6,324
Cleaning supplies	-	4,564	-	4,564
Shop tools	-	464	-	464
Shop supplies	-	4,320	-	4,320
Miscellaneous hardware	-	1,775	-	1,775
Outside labor	-	1,949	-	1,949
Lubricants and oils	3,153	-	-	3,153
Office supplies	-	-	2,214	2,214
Printing expense	-	-	4,526	4,526
Computer supplies	-	-	803	803
Power	-	-	17,864	17,864
Telephone	-	-	5,666	5,666
Water	-	-	1,736	1,736
Refuse	-	-	108	108
Liability insurance	56,957	-	-	56,957
Operating insurance	-	-	8,810	8,810
Travel and meetings	-	-	1,815	1,815
Marketing	-	-	5,009	5,009
Dues - subscriptions	-	-	105	105
Driver training supplies	83	-	-	83
Physicals/drug testing	794	101	-	895
CDL reimbursement	96	100	-	196
City license fees	206	-	-	206
Miscellaneous	-	-	315	315
Education and training	-	-	247	247
Bad debts	-	-	71	71
Office machine and equipment	-	-	134	134
Total County nonurban	941,837	262,108	199,442	1,403,387
Transportation to Work				
Operator's salaries and wages	24,150	-	-	24,150
Dispatcher's salaries and wages	5,880	-	-	5,880
Other salaries and wages	-	7,700	3,850	11,550
Payroll taxes	2,450	630	210	3,290
Vacation pay	1,750	490	420	2,660
Group health insurance	4,900	1,260	560	6,720
Group life insurance	280	70	-	350
Tool allowance	-	70	-	70
Uniform expense	420	210	-	630
Workers' compensation	420	140	-	560
Dental insurance	560	140	70	770
Pension	560	210	280	1,050
Contract radio	-	210	-	210

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF OPERATING EXPENSES BY ACTIVITY - CONTINUED

Year Ended September 30, 2005

	Operations	Maintenance	General Administrative	Total System
Transportation to Work - continued				
Janitorial	\$ -	\$ 210	\$ -	\$ 210
Accounting	-	-	210	210
Contract services	-	-	70	70
Volunteer services	-	-	770	770
Answering service	-	-	210	210
Computer maintenance	-	-	140	140
Attorney fees	-	-	70	70
Diesel fuel	1,960	-	-	1,960
Gasoline	1,050	-	-	1,050
Tires	140	-	-	140
Bus parts	2,520	-	-	2,520
Building maintenance	-	280	-	280
Cleaning supplies	-	140	-	140
Shop supplies	-	280	-	280
Outside labor	-	140	-	140
Lubricants and oils	140	-	-	140
Office supplies	-	-	210	210
Printing expense	-	-	210	210
Power	-	-	770	770
Telephone	-	-	280	280
Water	-	-	70	70
Liability insurance	1,190	-	-	1,190
Operating insurance	-	-	350	350
Marketing	-	-	350	350
Dues - subscriptions	-	-	70	70
Physical/drug testing	70	-	-	70
Miscellaneous	-	-	140	140
Office machine and equipment	-	-	70	70
Total Transportation to Work	<u>48,440</u>	<u>12,180</u>	<u>9,380</u>	<u>70,000</u>
Depreciation	<u>599,686</u>	<u>181,723</u>	<u>127,206</u>	<u>908,615</u>
TOTAL OPERATING EXPENSES	<u>\$ 4,075,476</u>	<u>\$ 1,147,719</u>	<u>\$ 866,484</u>	<u>\$ 6,089,679</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

NET ELIGIBLE COST COMPUTATIONS OF GENERAL OPERATIONS

Year Ended September 30, 2005

	Federal Section 5311 Nonurban	State Operating Assistance			Transportation to Work
		Urban	Nonurban	Total	
Expenses					
Labor	\$ 713,905	\$ 1,884,002	\$ 713,905	\$ 2,597,908	\$ 41,580
Fringe benefits	370,882	978,764	370,882	1,349,648	16,100
Services	48,347	127,599	48,347	175,952	2,240
Materials and supplies	175,045	461,946	175,045	636,989	7,070
Utilities	25,374	66,972	25,374	92,345	1,120
Casualty and liability costs	65,767	173,560	65,767	239,327	1,540
Taxes and fees	402	1,059	402	1,461	-
Miscellaneous	3,531	13,414	3,531	16,945	280
Leases and rentals	134	355	134	489	70
Depreciation	227,154	681,461	227,154	908,615	-
Total expenses	1,630,541	4,389,132	1,630,541	6,019,679	70,000
Less ineligible expenses					
Nontransportation revenues	3,446	9,094	3,446	12,540	-
Expenses associated with sale of maintenance service	30,630	80,834	30,630	111,464	-
Bad debts	71	188	71	259	-
Grant costs					
RTAP	878	-	878	878	-
Depreciation	226,023	678,070	226,023	904,093	-
Total ineligible expenses	261,048	768,186	261,048	1,029,234	-0-
NET ELIGIBLE EXPENSES	<u>\$ 1,369,493</u>	<u>\$ 3,620,946</u>	<u>\$ 1,369,493</u>	<u>\$ 4,990,445</u>	<u>\$ 70,000</u>
Maximum Section 5311 reimbursement 12.4% of \$1,368,493, not to exceed \$169,678	<u>\$ 169,678</u>				
State operating assistance 38.437574823% of \$4,990,445				<u>\$ 1,918,206</u>	
Transportation to Work reimbursement					<u>\$ 70,000</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF INELIGIBLE EXPENSES

Year Ended September 30, 2005

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Ineligible Expense</u>
Urban Mass Transportation Administration		
A) Operating Grants Listed on Schedule of Expenditures of Federal Awards		
	1. Nontransportation revenues and miscellaneous income expense are deducted as ineligible grant expenses.	\$ 12,540
	2. Expenses related to sale of maintenance service.	111,464
	3. Grant Costs - grant expenditures are included in the total expenses; therefore, they are deducted to arrive at net eligible expenses.	878
	4. Depreciation - depreciation on capital assets purchased with grants must be deducted as an ineligible expense.	904,093
	5. Bad debts - bad debts are deducted as ineligible grant expense.	<u>259</u>
	Total	<u>\$ 1,029,234</u>

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF MILEAGE DATA (UNAUDITED)

Year Ended September 30, 2005

	<u>1st Quarter</u>	<u>2nd Quarter</u>	<u>3rd Quarter</u>	<u>4th Quarter</u>	<u>Public Transportation Mileage (1)</u>
Linehaul City	87,122	85,924	86,695	86,695	346,436
Demand Response					
City	89,772	93,955	80,843	75,913	340,483
County	<u>27,840</u>	<u>22,927</u>	<u>24,035</u>	<u>24,243</u>	<u>99,045</u>
Total demand response	117,612	116,882	104,878	100,156	439,528
Medical Shuttle					
City	15,973	14,498	14,739	15,580	60,790
County	<u>18,080</u>	<u>16,347</u>	<u>14,722</u>	<u>12,801</u>	<u>61,950</u>
Total medical shuttle	34,053	30,845	29,461	28,381	122,740
P.E.T.					
City	25,381	21,630	22,544	20,134	89,689
County	<u>29,886</u>	<u>31,898</u>	<u>45,364</u>	<u>41,244</u>	<u>148,392</u>
Total P.E.T.	55,267	53,528	67,908	61,378	238,081
Headstart					
City	28,090	32,823	10,294	6,018	77,225
County	<u>7,956</u>	<u>9,006</u>	<u>2,734</u>	<u>-</u>	<u>19,696</u>
Total Headstart	36,046	41,829	13,028	6,018	96,921
Transportation to Work					
City	8,609	7,889	-	-	16,498
County	<u>4,703</u>	<u>8,521</u>	<u>-</u>	<u>-</u>	<u>13,224</u>
Total Transportation to Work	13,312	16,410	-0-	-0-	29,722
WIA/Workfirst Program					
City	-	3,261	5,106	9,000	17,367
County	<u>-</u>	<u>6,975</u>	<u>8,136</u>	<u>5,524</u>	<u>20,635</u>
Total WIA/Workfirst	-0-	10,236	13,242	14,524	38,002
Linehaul deadhead	<u>3,624</u>	<u>3,576</u>	<u>3,618</u>	<u>3,618</u>	<u>14,436</u>
TOTAL MILEAGE	<u>347,036</u>	<u>359,230</u>	<u>318,830</u>	<u>300,770</u>	<u>1,325,866</u>

- (1) The methodology used for compiling mileage has been reviewed and found to be an adequate and reliable method for recording vehicle mileage.

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended September 30, 2005

	Grant/ Agreement <u>Account No.</u>	Program Approved <u>Amount</u>	<u>Current</u> <u>Revenues</u>	<u>Expenditures</u>
MICHIGAN DEPARTMENT OF TRANSPORTATION				
Act 51 Formula – 2004 reconciliation	Operating	\$ 2,115,875	\$ 27,123	\$ 27,123
Act 51 Formula – 2005	Operating	1,954,763	1,918,206	1,918,206
Capital Match for 90-0198	MDOT 02-0054 Z6	123,085	130	130
Capital Match for 90-0473	MDOT 02-0054 Z16	25,500	7,678	7,678
Capital Match for 90-0394	MDOT 02-0054 Z3	145,528	17,446	17,446
Capital Match for 90-0414	MDOT 02-0054 Z7	50,250	6,521	6,521
Capital Match for 90-0444	MDOT 02-0054 Z11	112,448	103,723	103,723
Transportation to Work	MDOT 02-0054 Z12	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>
 TOTAL STATE ASSISTANCE		 <u>\$ 4,597,449</u>	 <u>\$ 2,150,827</u>	 <u>\$ 2,150,827</u>

<u>Grant-To-Date</u>		<u>Grant Balance</u>	<u>Grant Status</u>
<u>Revenues</u>	<u>Expenditures</u>		
\$ 2,115,875	\$ 2,115,875	\$ -	Completed
1,918,206	1,918,206	36,557	Completed
123,085	123,085	-	Completed
7,678	7,678	17,822	Incomplete
145,528	145,528	-	Completed
46,979	46,979	3,271	Incomplete
109,151	109,151	3,297	Incomplete
70,000	70,000	-	Completed
<u>\$ 4,536,537</u>	<u>\$ 4,536,537</u>	<u>\$ 60,947</u>	

SINGLE AUDIT SECTION

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2005

<u>Federal Grantor and Pass-through Program Title</u>	<u>Grant/ Agreement Account No.</u>	<u>Federal CFDA Number</u>	<u>Program Award Amount</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Transit Administration			
Direct Assistance			
Federal Transit - Formula Grants ^(a)		20.507	
Section 5307 operating	MI 90-4444		\$ 800,000
Section 5307 capital	MI 90-0444		449,791
Section 5307 capital	MI 90-0414		201,000
Section 5307 capital	MI 90-0394		616,334
Section 5307 capital	MI 90-0473		<u>130,000</u>
			2,197,125
Passed through Michigan Department of Transportation			
Formula Grants for Other than Urbanized Areas		20.509	
RTAP training funds	N/A		878
Section 5311 operating	02-0054/Z5		<u>169,678</u>
Total Passed through Michigan Department of Transportation			<u>170,556</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			2,367,681
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through South Central Michigan Works! and Region II CAA			
Temporary Assistance for Needy Families	N/A	93.558	<u>53,424</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 2,421,105</u>

^(a) Denotes major program

<u>Revenues</u>	<u>Expenditures</u>	<u>Grant Status</u>
\$ 800,000	\$ 800,000	Completed
414,892	414,892	Incomplete
26,085	26,085	Incomplete
69,797	69,797	Incomplete
<u>30,711</u>	<u>30,711</u>	Completed
1,341,485	1,341,485	
878	878	Completed
<u>169,678</u>	<u>169,678</u>	Completed
<u>170,556</u>	<u>170,556</u>	
1,521,041	1,521,041	
<u>53,424</u>	<u>53,424</u>	Completed
<u>\$ 1,565,465</u>	<u>\$ 1,565,465</u>	

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
City of Jackson Act 196 Transportation Authority
Jackson, Michigan

We have audited the basic financial statements of the City of Jackson Act 196 Transportation Authority as of and for the year ended September 30, 2005, and have issued our report thereon dated November 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Jackson Act 196 Transportation Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jackson Act 196 Transportation Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management and the Board of Directors of the City of Jackson Act 196 Transportation Authority, the Federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 1, 2005

East Lansing ■ Rochester Hills ■ St. Johns

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
City of Jackson Act 196 Transportation Authority
Jackson, Michigan

Compliance

We have audited the compliance of the City of Jackson Act 196 Transportation Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that is applicable to each of its major Federal programs for the year ended September 30, 2005. The City of Jackson Act 196 Transportation Authority's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major Federal programs is the responsibility of the City of Jackson Act 196 Transportation Authority's management. Our responsibility is to express an opinion on the City of Jackson Act 196 Transportation Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the City of Jackson Act 196 Transportation Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Jackson Act 196 Transportation Authority's compliance with those requirements.

In our opinion, the City of Jackson Act 196 Transportation Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

The management of the City of Jackson Act 196 Transportation Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Jackson Act 196 Transportation Authority's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the Board of Directors of the City of Jackson Act 196 Transportation Authority, the Federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 1, 2005

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SCHEDULE OF FINDINGS

Year Ended September 30, 2005

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the financial statements of the City of Jackson Act 196 Transportation Authority.

We noted no instances of noncompliance with laws, regulations, contracts, and grants that could have a direct and material effect on the financial statements.

An unqualified opinion was issued on compliance for major programs. We did not disclose any findings regarding internal controls or compliance related to the major program tested.

The major program tested to cover 25 percent of the total Federal expenditures was the Federal Transit Formula Grants (CFDA 20.507). Total Federal expenditures for the year ended September 30, 2005, for the major program were \$1,341,485, which is approximately 86 percent of the total Federal Award expenditures. The City of Jackson Act 196 Transportation Authority qualified as a low-risk auditee.

The dollar threshold for Type A programs of the City of Jackson Act 196 Transportation Authority was \$300,000. The Federal Transit Formula Grants program qualified as Type A. Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Control Over the Financial Statements.

None

Findings Related to Compliance with Requirements to the Financial Statements.

None

Findings Related to Compliance with Requirements to the Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

None

CITY OF JACKSON ACT 196
TRANSPORTATION AUTHORITY

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended September 30, 2005

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Financial Statements.

No prior reportable conditions

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

No prior audit findings

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings